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# Operating Expenditures

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In FY 2004, the District's Local fund expenditures increased by 4.3 percent. After experiencing a slightly lower growth rate in FY 2002, expenditures resumed growth averaging 5.6 percent annually in recent years (Figure 5-1).

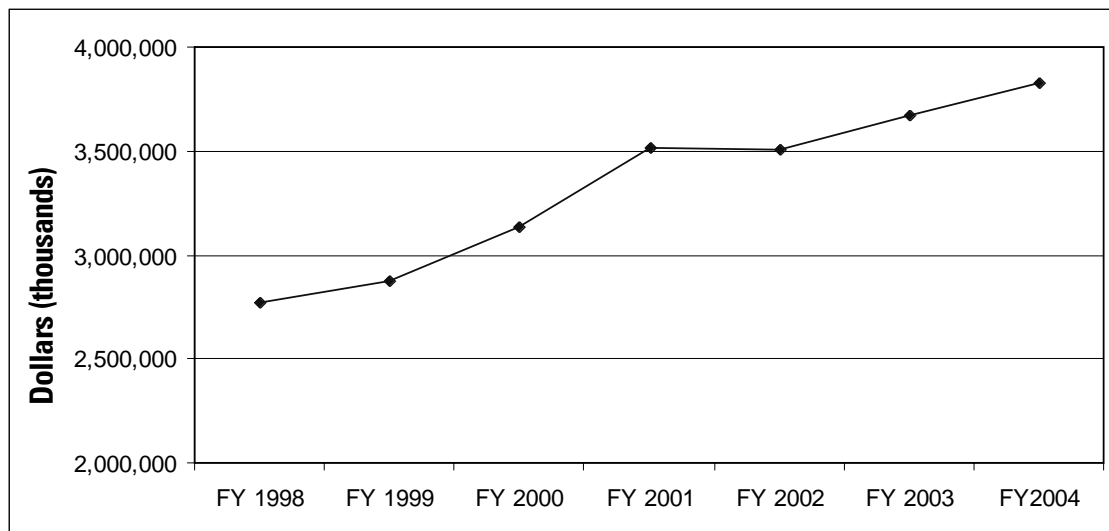
The increase in FY 2004, about \$159 million, was a result of, among other factors, increased public safety spending, including an increase in the police and fire retirement contribution, and increased public education spending.

During the past six years, annual local expenditure growth has averaged 5.6 percent District-wide. Human Support Services expenditures experienced a decrease in average growth rate for

the first time in six years, from about 9 percent to 6.3 percent. After experiencing a decrease in Local funds expenditures for two years, Public Education has resumed being one of the fastest-growing appropriation titles, averaging growth of 9.8 percent during the past six years. Public Safety and Justice expenditures are growing steadily at 5.7 percent.

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Figure 5-1  
**Local Fund Expenditures, FY 1998 - FY 2004**



This chapter examines operating expenditures by the District and analyzes where expenditure growth pressures are likely to slow, continue, or expand in the future. Specifically, the chapter:

- Examines the growth in expenditures from FY 1998 to 2004 by area of spending (agency and function);
- Examines the growth by such categories as personnel, contractual services, and subsidies and transfers; and
- Discusses projections of expenditure growth from FY 2007 to 2009, starting from the FY 2006 proposed budget.

This chapter focuses primarily on the District's Local funds expenditures. A change in how certain expenditures were classified beginning in FY 2002 introduced a discontinuity in the Local funds expenditure data. Federal payments<sup>1</sup>, which had been classified as local funds in prior years despite their federal source, were moved into the new Federal and Private Resources category for FY 2002. Thus, expenditures from Federal Payments are included in Local funds expenditures through FY 2001 but

not in FY 2002 through FY 2004. Because expenditures from Federal Payments were not separately classified before FY 2002, they cannot be differentiated from prior year data to provide a consistent time series. For more details, see the Operating Expenditures chapter of the FY 2004 Proposed Budget and Financial Plan.

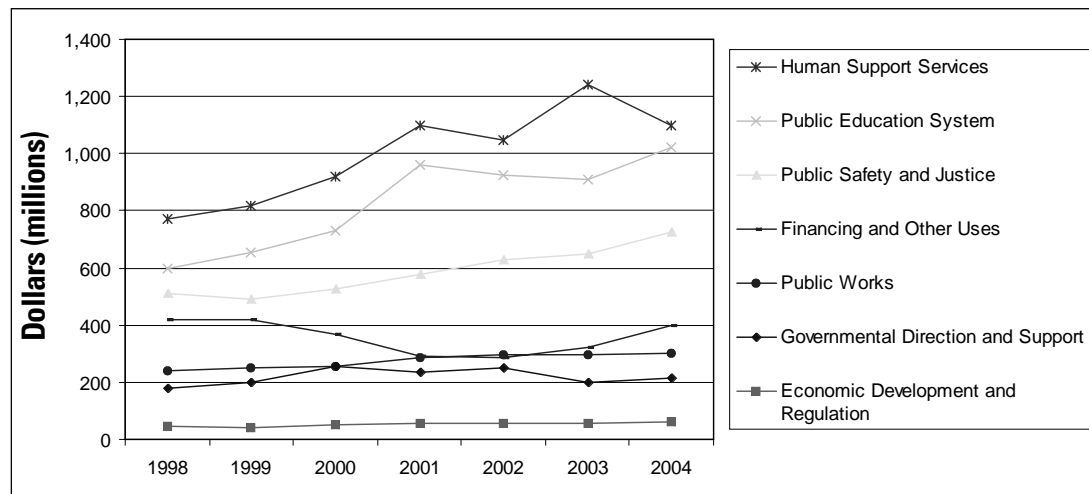
This chapter does not discuss capital expenditures, which are described in the Capital Appendices volume. Furthermore, it does not include agencies whose operations are captured in other funds, such as proprietary funds and component units of the District. For more information on these, see the fund structure discussion in the Financial Plan chapter of this volume.

## Expenditure Growth by Agency and Function, FY 1998 to FY 2004

As detailed in the Operating Expenditures chapter of the FY 2003 Proposed Budget and Financial Plan, the Revitalization Act<sup>2</sup> created a break in expenditure patterns between FY 1997 and 1998. For this reason, this chapter discusses expenditures from 1998 onward. Tables 5A-2 and 5A-3, in Appendix I to this chapter, provide

Figure 5-2

### Local Fund Expenditures by Appropriation Title, FY 1998 - FY 2004



<sup>1</sup> Federal Payments are provided directly by the District's Appropriation Act to District agencies for specified purposes. They are different from federal grants, which include entitlements and formula-based and competitive grants the District receives.

<sup>2</sup> Title IX, National Capital Revitalization and Self-Government Improvement Act of 1997, of the Balanced Budget Act of 1997 (P.L. 105-33).

additional detail on local and gross expenditures in the largest District agencies from FY 1998 through 2004.

### Human Support Services

Local funds expenditures for four major agencies in the Human Support Services appropriation title have grown at an annual average of 6.3 percent since FY 1998, a lower growth rate from FY 2003. The lower growth rate was driven by reduced expenditures on Medicaid services directly by the agency. Starting in FY 2004, the District began to budget separately for Medicaid expenditures through the Medicaid Reserve fund. During FY 2004, expenditures in this fund were approximately 44 million dollars. Some of the major trends in these appropriation title are :

- **Department of Human Services (DHS).** DHS operates a number of federal entitlement programs, such as Temporary Assistance for Needy Families and certain homeless programs. Its local funds expenditures have risen 4.8 percent annually between FY 1999 and 2004, but its gross funds expenditures—including the federal funds it administers—have increased by 5.1 percent annually. Data prior to FY 1999 are not comparable, because in earlier years DHS also performed functions now performed by the Child and Family Services Agency (CFSA) and the Department of Mental Health (DMH).
- **Department of Health (DOH).** In FY 2002 and FY 2003, DOH paid most of the expenses formerly incurred by the Public Benefit Corporation (PBC). The PBC had been established in 1996 to operate D.C. General Hospital and associated health care clinics in the District. In FY 2002, DOH established the Health Care Safety Net to assume prior PBC functions through a contract with Greater Southeast Community Hospital. Expenditures for the contract were approximately \$78 million in FY 2002, \$101 million in FY 2003, and decreased to \$74 million in FY 2004. When compared to PBC expenditures of more than \$135 million in FY 2000 and 2001, the Health Care Safety Net shows a decrease in the cost of providing these services.

- **Child and Family Services Agency and Department of Mental Health.** The functions performed by these agencies were pulled out of DHS and placed into receivership in 1999, and both returned to District control in FY 2002. FY 2001 DMH and FY 2002 CFSA expenditures were unusually high due to the write off of several years of Medicaid receivables. In FY 2003, DMH incurred another write off for Medicaid receivables of \$99 million. In FY 2004, DMH expenditures decreased due to the creation of the Medicaid Reserve fund, which was not included as part of the agency's Local funds budget.

### Public Education System

Local funds expenditures by the District of Columbia Public Schools (DCPS) are higher than for any other District agency. The public education system has experienced one of the highest growth rates in the District, averaging 9.8 percent annually for the past six years. DCPS employs about a third of all District employees, and its expenditures are driven heavily by personnel costs. Public Charter Schools (PCS) expenditures increased in FY 2004, mostly because of increased enrollments. Both agencies are budgeted using a formula that accounts for inflation and for student enrollment growth or decline.

- **District of Columbia Public Schools (DCPS).** Expenditures at DCPS increased, approximately 8 percent in FY 2004 over FY 2003. Enrollment decreased during the 2004 school year, but the funding formula was increased to adjust for inflation, pay raises and other initiatives. As a result, expenditures per enrolled student increased.
- **Public Charter Schools (PCS).** FY 2004 expenditures increased at PCS relative to FY 2003. Enrollments continue to increase, after experiencing remarkable growth the preceding three years, and two new charter schools opened in FY 2004.
- **University of the District of Columbia (UDC).** Expenditures at UDC increased slightly, after experiencing an approximately \$6 million decrease in FY 2003.

- **Teachers' Retirement System.** When the Police and Fire Retirement System was split from the Teachers' Retirement System in 1998, the Teachers' system was relatively overfunded, so the District has not been required to make contributions to the Teachers' system in recent years. However there will be a contribution in FY 2005, which is budgeted at \$9.2 million, as well as FY 2006, which is budgeted at \$15.5 million.

Table 5-1 shows enrollment and expenditure trends for DCPS and PCS. Enrollment in the two systems combined has been increasing since FY 1999. Per-student spending increased rapidly between 1997 and 2001 and has slowed slightly since then, resulting in an average annual increase of over 9 percent between 1997 and 2004.

DCPS and PCS expenditures showed a one-time increase in FY 2001 because of a change in the way they received their funding. In most cases, the District's expenditures in a fiscal year are from funds appropriated for that year. However, beginning in FY 2001, DCPS and PCS were given authority to spend a portion of their upcoming appropriation--10 percent and 25 percent, respectively--during the fourth quarter of their current fiscal year. This authority was granted so

the school systems could better match their expenditures to the school calendar. For example, in the fourth quarter of FY 2001 (July, August, and September 2001), DCPS had appropriation authority to spend up to 10 percent of its pending FY 2002 appropriation, or about \$71 million, in addition to completing its spending of its FY 2001 appropriation. The two systems similarly had authority to spend against their pending FY 2003 appropriations at the end of FY 2002. Along with DCPS and PCS, UDC was granted this authority in FY 2003.

Until FY 2004, the District's Comprehensive Annual Financial Report (CAFR) includes funds spent in that fiscal year, regardless of the appropriation year. Thus, until this year, the CAFR includes funds each school system spent during the fiscal year. This is the sum of:

- Appropriation year (AY) 2004 expenditures,
- Less AY 2004 funds spent during FY 2003,
- Plus AY 2005 funds spent in FY 2004.

Table 5-2 provides a crosswalk between the AY and FY expenditures for the two systems, which allows for comparison for years prior to FY 2004. The FY data are used throughout this chapter, although the AY data reflect more comparable data over time.

Table 5-1

### Enrollments and Expenditures in Two Schools Systems (Local Funds Only)

DC Public Schools			Public Charter Schools		Combined Systems		
Enrollment	Expenditures (dollars in thousands)		Enrollment	Expenditures (dollars in thousands)	Enrollment	Expenditures (dollars in thousands)	Expenditure per enrolled student*
1996	79,802	498,067	-	-	79,802	498,067	6,241
1997	78,648	481,547	-	-	78,648	481,547	6,123
1998	77,111	520,097	-	3,195	77,111	523,292	6,786
1999	71,889	550,812	3,594	11,113	75,483	561,925	7,444
2000	70,677	604,098	6,980	46,480	77,657	650,578	8,378
2001	68,978	737,128	9,555	136,876	78,533	874,004	11,129
2002	68,015	740,706	10,651	97,625	78,666	838,331	10,657
2003	67,004	711,890	12,239	114,283	79,234	826,173	10,427
2004	61,653	769,385	13,575	161,969	75,228	931,354	12,380

Note: \*per enrolled student (whole dollars not thousands)

Table 5-2:

## Expenditures by Appropriation Year and Fiscal Year, Two School Systems and University (Local Funds Only)

(Dollars in thousands)

	2000	2001	2002	2003	2004
<b>D.C. Public Schools</b>					
Expenditures, current AY and FY	604,098	727,360	739,179	711,890	762,723
PLUS: AY expenditures in prior FY			+9,768	+1,527	
EQUALS: Total AY expenditures	604,098	727,360	748,947	713,417	762,723
LESS: AY expenditures in prior FY			-9,768	-1,527	
PLUS: FY expenditures from following AY		+9,768	+1,527	0	6,662
EQUALS: Total FY expenditures (as shown in CAFR and table 5-1 above)	604,098	737,128	740,706	711,890	769,385
<b>Public Charter Schools</b>					
Expenditures, current AY and FY	46,480	104,992	67,213	79,884	115,513
PLUS: AY expenditures in prior FY			+31,884	+30,412	+34,399
EQUALS: Total AY expenditures	46,480	104,992	99,097	110,296	149,912
LESS: AY expenditures in prior FY			-31,884	-30,412	-34,399
PLUS: FY expenditures from following AY		+31,884	+30,412	+34,399	+46,456
EQUALS: Total FY expenditures (as shown in CAFR and table 5-1 above)	46,480	136,876	97,625	114,283	161,969
<b>University of the District of Columbia</b>					
Expenditures, current AY and FY	40,491	46,933	56,068	49,978	50,781
PLUS: AY expenditures in prior FY		0	0	0	+566
EQUALS: Total AY expenditures	40,491	46,933	56,068	49,978	51,347
LESS: AY expenditures in prior FY	0	0	0	0-	+566
PLUS: FY expenditures from following AY	0	0	0	+566	+80
EQUALS: Total FY expenditures	40,491	46,933	56,068	50,544	50,861

### Public Safety and Justice

Expenditures in the public safety area experienced a higher in growth rate in FY 2004. The two largest agencies this appropriation title - the Metropolitan Police Department (MPD) and the Fire and Emergency Medical Services Department (FEMS) - have shown steady growth, while the Police and Fighters' Retirement System has become a major cost driver for the District.

- **Metropolitan Police Department and Fire and Emergency Medical Services Department.** Expenditures at MPD have increased steadily, averaging approximately 5 percent per year since 1998. This growth rate can be attributed to the elevation of public safety as a District-wide priority. New crime-fighting initiatives and the impact from federal warning levels

contributed to the increased expenditures. Growth has been increasing at the FEMS, and has averaged 5.3 percent since 1998. The increase in FY 2004 is attributable to an increase in personal services costs.

- **Police and Fighter' Retirement System.** The District's contributions to the system have increased in recent years and will continue to increase in 2005 and 2006. When the fund was initially separated from the Teachers' Retirement System in 1998, it was relatively underfunded, and the District has had to increase its funding in recent years. The effects of the recent decline in the stock market and low interest rates also are being felt. Contributions are calculated using a formula that smoothes the effect of any one year's

stock market performance, but several consecutive years of poor returns before 2003 led to higher required contributions.

- **Department of Corrections.** After expenditure decreases related to the District's phasing out of the Lorton facility, expenditures have begun increasing again. Greater expenditures since FY 2002 also reflect the end of the Corrections Medical Receivership, with expenses paid by the receiver in recent years now being paid by the department.

### Financing and Other

Agencies in the Financing and Other appropriation title include various debt service functions as well as the District's reserve funds. Expenditures in this appropriation title have decreased since FY 1998, primarily because of reduced borrowing costs.

- **Debt Service.** The primary debt service function is Repayment of Loans and Interest, in which expenditures have decreased at an average annual rate of 2.2 percent since FY 1998. The low expenditure level in FY 2001 was maintained in FY 2002, but increased in FY 2003 and FY 2004. The District has been able to take advantage of lower interest rates in recent years to refinance some of its debt. However, expenditures are projected to continue to increase.
- **Budgeted Reserve.** Beginning in FY 2000, the District was required to budget for a \$150 million reserve fund. The District could allocate the funds, thus, budgeted under certain conditions after congressional notification; expenditures from these allocations are then reflected in the agencies that receive them. The District allocated \$26.6 million of the FY 2000 Reserve, and in FY 2001 it allocated \$104.5 million of that year's reserve on Public Benefit Corporation costs. The District allocated almost the entire \$150 million of Reserve and Reserve Relief in FY 2002, with \$90 million of that amount going to DCPS. In FY 2003, the Reserve was budgeted at \$70 million and was again nearly fully allocated. In FY 2004, a new Cash Reserve of \$50 million replaced the Budgeted Reserve. Expenditures in the

Financing and Other appropriation title do not reflect the Budgeted Reserve; instead, those expenditures are reflected in the agencies that receive budget allocations and spend against them.

- **Emergency and Contingency (Cash) Reserve Funds and Tobacco Trust Fund.** In FY 2001, Congress required the District to establish two cash reserve funds, to be filled at the rate of one percent of projected local fund expenditures per year until they reached seven percent by FY 2007. In FY 2002, the District fully funded the two cash reserves at their combined seven percent target, or \$248.7 million. In FYs 2003 and 2004, the cash reserve target of seven percent was maintained, with \$285.4 million in the combined funds at the end of FY 2004. The reserve requirement has been changed for FY 2005; for more details, see the Financial Plan chapter.

### Other Appropriations Titles

Expenditures in other appropriations titles have not shown changes as significant as those discussed above.

- **Governmental Direction and Support.** This appropriation title funds agencies that manage overall government operations, including the Office of the Mayor, the Council of the District of Columbia, and the Offices of Personnel, Attorney General, and the Chief Financial Officer. Expenditures in this appropriation title have grown at 2.9 percent annually since FY 1998.
- **Economic Development and Regulation.** This is the smallest of the appropriations titles, and expenditures increased at an annual average rate of 4.4 percent between FY 1998 and 2004.
- **Public Works.** The Public Works appropriation title is dominated by two agencies: the Department of Public Works (DPW) and subsidies to the Washington Metropolitan Area Transit Authority (WMATA). Expenditures on the functions provided by DPW increased by approximately 11 percent in FY 2004 after decreasing in FY 2003. The

Department of Transportation was split out from DPW in FY 2003, but the two agencies' combined expenditures in FY 2004 were lower than were DPW's expenditures in FY 2002. Subsidies to WMATA, on the other hand, have risen by an annual average of 4 percent over six years, slower than the District-wide average.

### Summary of Local Funds Expenditures (Growth by Agency and Function)

Among the three largest appropriation titles, expenditures in Public Education and Public Safety and Justice increased, while Human Support Services decreased in FY 2003. For the first time in FY 2004, Medicaid expenditures were removed from the agencies local budgets and budgeted separately in the Medicaid Reserve fund (MR0). Another fund, Grant Disallowance (GR0), was set up to provide further funding for any Medicaid write-offs incurred by District

agencies. Most of the expenditures were associated with DMH, with some of the funding going to DCPS. Removing Medicaid expenditures from agency local budgets resulted in a decrease of expenditures.

During the past six years, expenditures for the MPD have increased at a steady rate, comparable to the rest of the Public Safety and Justice appropriation title. In FY 2004, local fund expenditures increased by \$17 million, signifying the continued elevation of public safety as a priority for the District. Increased security needs and the location of the federal government in the District have led to greater local fund expenditures, even though some of the costs were offset by federal grant awards. During FY 2004, expenditures for Fire and Emergency Services increased by approximately \$13 million. A new contract for FEMS employees led to the implementation of additional personnel costs.

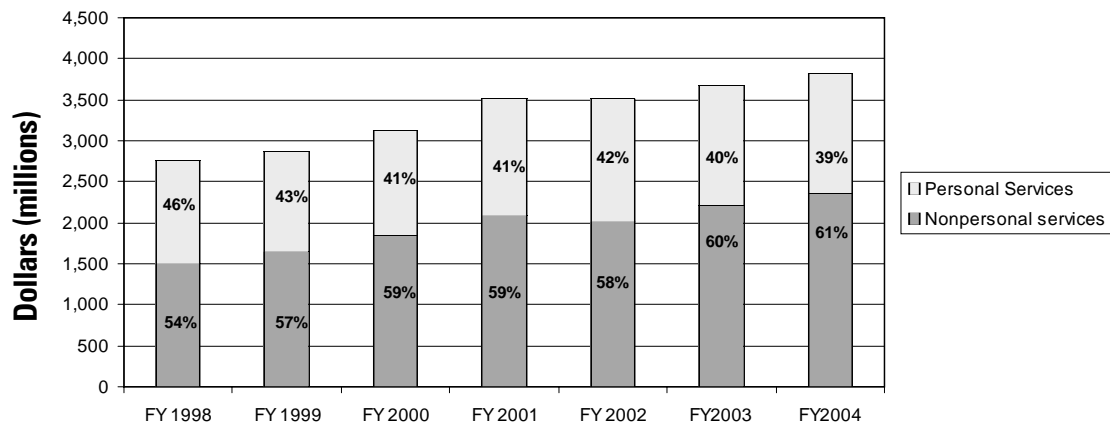
Public Education expenditures resumed their

Table 5-3  
**Federal Grant Expenditures, FY 2001 - FY 2004**  
(Dollars in thousands)

	2001	2002	2003	2004	Annual Growth Rate 2001-2004
Department of Health	744,491	780,370	846,423	1,063,370	12.5%
Department of Human Services	193,024	219,898	189,421	188,315	-0.8%
DC Public Schools	82,498	107,175	115,039	117,638	12.4%
Child and Family Services	79,757	51,069	65,595	44,190	-177%
Department of Employment Services	33,737	47,679	44,274	42,627	8.0%
Department of Housing and Community Development	45,751	57,903	42,520	41,412	-3.2%
Department of Mental Health	46,506	32,066	38,882	5,993	-49.1%
<b>Subtotal, selected agencies</b>	<b>1,225,764</b>	<b>1,296,160</b>	<b>1,342,152</b>	<b>1,503,545</b>	<b>7.0%</b>
All other agencies	92,692	86,678	112,856	110,945	6.4%
<b>Total - District of Columbia</b>	<b>1,318,456</b>	<b>1,382,838</b>	<b>1,455,010</b>	<b>1,614,490</b>	<b>6.9%</b>

Figure 5-3

### Personal Services and Nonpersonal Services Expenditures, FY 1998 – FY 2004



increase in FY 2004 versus a FY 2003 decline. The per-pupil expenditure formula was adjusted this year to account for inflation, pay raises, and other initiatives which led to an increase even though DCPS enrollment actually decreased. Public Charter School enrollment continued its steady increase in enrollment, as well as expenditures.

#### Summary of Federal Funds Expenditures

During FY 2003, the District received a \$10.6 million Federal Payment for emergency planning and security costs. The payment was divided among D.C. MPD (approximately \$6.2 million), Emergency Management Agency (about \$0.1 million), and FEMS (approximately \$3.7 million). The District's emergency and security services not only serve District residents, but also any person within the District. The District's status as the nation's capital brings many events requiring security services and also requires a greater level of emergency planning. The Federal Payment helps offset costs that are, in part, influenced by the presence of the federal government within the District.

Federal grant expenditures are increasing for the District as a whole, and, since 2001, have grown at 6.9 percent annually (see Table 5.3). Of the seven agencies that receive the largest amount of federal grants, expenditures for the Department of Health and D.C. Public Schools have increased significantly over the past three years. The Department of Health receives and spends the greatest amount of federal grants, with Medicaid making up most of the grant dollars. Four of the other six agencies with the greatest grant expenditures also spend Medicaid funds. The Department of Mental Health decreased significantly, since Medicaid funds are now part of the Medicaid Reserve (MR0).

#### Expenditure Growth by Object Class, FY 1998 to FY 2004

This section examines expenditures by object class—that is, by the type of services paid for, such as personnel, supplies, or fixed costs for rent or utilities from FY 1998 through FY 2004. Since 1998, expenditures on nonpersonal services (NPS), such as rent and utilities, equipment, subsidies and transfers, and debt service, have risen faster than those on personal services (PS), which include regular salaries and wages, overtime and



Table 5-4

**Overtime Expenditures from Local Funds**

(Dollars in thousands)

Agency Name	2000	2001	2002	2003	2004
Metropolitan Police Department	20,175	22,211	24,221	11,096	11,469
Fire and Emergency Medical Services	13,293	12,185	15,758	8,255	12,191
District of Columbia Public Schools	5,310	8,535	4,678	6,208	6,705
Department of Corrections	4,713	4,006	2,824	4,389	2,884
Department of Human Services	2,874	2,858	2,794	2,914	3,497
Department of Transportation	3,190	3,329	2,484	413	400
Child and Family Services	695	1,880	1,965	1,838	2,640
Department of Mental Health	2,490	2,054	1,701	803	2,767
Department of Public Works	0	0	0	2,603	2,453
All other Agencies	3,216	4,365	3,671	2,806	3,048
<b>Total</b>	<b>55,956</b>	<b>61,424</b>	<b>60,096</b>	<b>41,325</b>	<b>48,054</b>

other additional costs (Figure 5-3)<sup>3</sup> Table 5A-4, in the appendix to this chapter, provides further details.

PS expenditures, which make up about 39 percent of all expenditures during FY 2004, rose at an average annual rate of 3.8 percent between FY 1998 and 2004. Fringe benefits expenditures have increased at a 6.8 percent annual rate since FY 1998, mostly because of increasing costs of providing health insurance for District employees.

Local funds overtime expenditures increased in FY 2004 (see Table 5-4). MPD was reimbursed for \$6.2 million in expenditures in an effort to defray costs associated with emergency planning and security, including overtime costs for officers. This transfer means that expenditures that would otherwise have been made from Local funds were instead made from Federal payments. The decrease due to the Federal Payment is a one-time event, and overtime expenditures may increase in FY 2005, depending on that year's Federal Payment. Eight agencies, or nine in FY 2003 after the creation of the Department

of Transportation, have consistently spent 93 to 94 percent of the District's entire expenditures on overtime.

NPS expenditures increased at a 7 percent average annual rate between FY 1998 and 2004. Within NPS categories, debt service expenditures fell by an average 4 percent annually, a figure that combines a decrease through 2001 with small increases in FYs 2002 and 2003, and then decreasing again in FY 2004. Subsidies and transfers, the largest NPS component, increased by 12 percent annually—from \$607 million to more than \$1 billion in six years. The subsidies and transfers category includes the District's contributions to Medicaid and other entitlement programs, as well as to Public Charter Schools, whose growth has been described previously. The other driver of growth has been the contractual services category, in which expenditures rose by 16 percent annually, although the category has decreased since FY 2003. Contractual services have increased from less than 10 percent of NPS expenditures in FY 1998 to more than 16 percent in FY 2004.

<sup>3</sup> In this section, the District's contributions to the Police and Fighter' and Teachers' Retirement Funds are considered PS expenditures. Data presented here will vary slightly from the District's accounting basis, which places these contributions in the Subsidies and Transfers category within NPS.

## Summary of Projections for Expenditures for FYs 2007, 2008, and 2009

This section explains the expenditures forecast for the District's financial plan (see the Financial Plan chapter). The forecast begins with the FY 2006 proposed budget, and expenditures are projected for the next three years. In most agencies, growth is projected by object class using general factors for PS and NPS growth, as described. In some agencies, the forecast uses more specific growth factors; these are detailed below the discussion of growth by object class.

The FY 2006 revenue forecast shows healthy growth (see the Revenues chapter). Actual expenditure growth into the future will always be limited by actual revenue growth. The expenditures forecast cannot predict actual expenditures, because those will always be constrained by realized revenues in a given year. However, the expenditures forecast can indicate where pressure for growth is likely to be felt, and it can provide a warning if expenditures are on track to outpace revenue growth without corrective action.

### Growth by Object Class

#### Personal Services

- The general growth rate for salaries and wages is assumed to be 0.8 percentage points above the Washington area Consumer Price Index (CPI) forecast for each of the next three years. Salaries have historically grown at a slightly greater rate than inflation, and similar growth is built into the forecast for the next three years. An underlying assumption

is that the District's future work force remains the same size as today's—that is, there are no significant increases or decreases in the number of District employees. Thus, annual salary increases will translate directly to increases in overall PS costs.

- Extra pay, the category including overtime, differential pay (for night or weekend work, for example), and bonuses, is projected to grow at the same rate. As salaries increase, the cost of extra pay that is tied to salaries increases proportionally.
- Fringe benefits are assumed to grow faster than other PS expenditures. Health insurance costs for District employees went up slightly in both March 2004 and 2005, after in 2002 and 2003 increases of nearly 15 percent. About half of the District's fringe benefit expenditures have been for health insurance in recent years, and this proportion has been increasing. The projections assume health insurance costs will rise 11 percent in FY 2007 and at slightly lower rates in FYs 2008 and 2009. Other fringe benefits are assumed to grow at the general PS rate, because the cost of most other fringe benefits, most notably District employees' retirement plans, are tied to salaries. The fringe benefits category as a whole is assumed to grow at an average of the rate for health insurance and the general PS growth rate.

#### Nonpersonal Services

- The general growth rate for NPS expenditures is assumed to be the Washington area CPI forecast.

Table 5-5

### Summary of Growth Assumptions by Object Class

(Percent, over previous year)

	FY 2007	FY 2008	FY 2009
Washington area Consumer Price Index forecast	2.3	2.2	2.2
Growth assumption for:			
Regular salaries and wages and extra pay	3.1	3.0	3.0
Fringe benefits	6.05	6.0	6.0
Contractual services	3.1	3.0	3.0
All NPS categories other than contractual services	2.3	2.2	2.2

Table 5-6

**Projected Payment Schedules for Debt Service Agencies**

(Dollars in thousands)

	FY 2006	FY 2007	FY 2008	FY 2009
Repayment of Loans and Interest	372,428	399,316	420,449	441,733
Certificate of Participation	11,000	13,000	15,000	15,000
Short-Term Borrowings	5,500	5,500	5,500	5,500

- One exception is for the category of contractual services, in which expenditures have been rising much faster than general NPS expenditure growth. Growth in this category is forecasted to match the PS growth rate, because a great deal of contractual services spending is for salaries (of contractors) rather than for purchases of goods.
- Two other NPS categories should be mentioned - debt service and subsidies and transfers. While their general growth is predicted to be that of the Washington area CPI forecast, most growth in these two categories appears in agency-specific or program-specific forecasts below. For example, most debt service expenditures are in one of several debt service agencies detailed below. Only a small portion is in operating agencies, through the master lease program. Similarly, much of the District's subsidy and transfer expenditures are in Medicaid and several retirement funds, which are detailed below.

Table 5-5 summarizes growth assumptions by object class.

**Growth by Agency or Program**

Expenditures in the following agencies or programs are assumed to grow at rates that differ from the general assumptions for each object class.

**D.C. Public Schools and Public Charter Schools**

Expenditures in the Local Education Agency (LEA) portion of the DCPS budget are assumed to grow at the Washington area CPI forecast rate. This is the rate that would be used in the legislated formula that funds the LEA portion of the DCPS budget, which covers much of the PS and NPS costs in the DCPS budget. Using this rate

for the projections assumes that:

- Enrollments will remain constant over the next three years, and
- Growth according to the legislated funding formula will be sufficient to meet DCPS needs in the coming years.

Since the District's expenditures for PCS is considered a subsidy, it also grows at the rate of CPI growth. Thus, if students transfer from one system to the other in future years, the effect on the expenditure forecast is neutral. However, if students leave the two systems to attend private schools as the voucher program, funded with federal funds, is continued, expenditures in the two systems should decline relative to the projections. The projections do not account for this possible enrollment decline.

**Medicaid and Health Care Safety Net**

Both Medicaid expenditures and the contract costs for the Health Care Safety Net Administration are projected to grow at six percent in FYs 2007 through 2009, reflecting increases in health care costs that are likely to exceed the general rate of inflation.

**Workforce Investments**

The projections include any expected pay increases above the general PS growth rate in agencies budgets.

**Debt Service**

Long-term debt service expenditures are projected to increase over the projection period. The Certificate of Participation (COP) payments are for the building at One Judiciary Square and the Unified Communication Center. A constant small amount of short-term borrowing is anticipated each year. Projected debt service payment schedules are shown in Table 5-6.

### **Washington Metropolitan Area Transit Authority (WMATA) Subsidy**

Over the next three years the District's subsidy to WMATA is forecast to increase at a five percent annual rate.

### **Subsidies and Transfers Related to PS Expenditures**

Expenditures in two agencies are classified as transfers that are, in fact, related to PS costs.

They are:

- Unemployment Compensation Fund and
- Disability Compensation Fund.

Expenditures in these two agencies are projected to grow at the PS growth rate each year. Expenditures in two pension agencies are projected at specific levels in FYs 2007 through 2009:

- Police and Fire Retirement System and
- Teachers' Retirement System.

The amounts are based on estimates made for the Retirement Board and on assumptions about annual contributions as a percent of covered salaries in the respective agencies.

## Appendix I: Data Tables for Operating Expenditures

Table 5A-1:

### Federal Payments Awarded to the District in its Appropriation Act, FY 1999 - 2004

(Dollars in thousands)

Agency	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Executive Office of the Mayor			1,497	200		
Washington Council of Government						398
Office of the City Administrator / Criminal Justice Coordinating Council				300	298	1,293
D.C. Office of Personnel			249			
Office of the Chief Technology Officer	20,000			400		
Office of the Chief Financial Officer			1,247	50		
Business Services and Economic Development/Planning			1,297			199
Department of Housing and Community Development	3,000				2,782	
Department of Transportation					994	3,976
Metropolitan Police Department	1,200	996	100	100	497	
Metropolitan Police Department — Capital	18,778					
Fire and Emergency Medical Services Department	3,240			500		
Emergency Management Agency (and others)				16,058	14,903	11,432
Citizen's Complaint Review Board		498				
Office of the Chief Medical Examiner				585		
D.C. Public Schools	30,000		499	2,500	2,981	12,923
Resident Tuition Assistance / State Education Office		16,935	16,963	17,000	16,890	16,898
State Education Office, Other					3,974	1,988
D.C. Public Charter Schools	15,622				3,974	12,923
Department of Mental Health						3,877
Department of Human Services		249				
Department of Health			2,145			
Child and Family Services Agency				500		10,040
D.C. Public Library						199
Incentives for the Adoption of Children		4,981				
Inaugural Expenses			5,948			
Various	25,000					
Various — Capital	50,000				66,714	47,370
<b>Total</b>	<b>166,840</b>	<b>23,659</b>	<b>29,945</b>	<b>38,193</b>	<b>114,005</b>	<b>123,516</b>

Notes:

Details may not sum to totals because of rounding.

FY 2000, 2001, and 2003 figures reflect rescissions made by the federal government.

Another \$74.8 million was added in FY 1999 and \$30.4 million in FY 2000 for the Office of the Chief Technology Officer for Y2K expenses.

Another \$155.9 million was added in FY 2002 for emergency preparedness expenses, much of it going to public safety agencies, and another

\$17 million was added in FY 2002 for the Office of the City Administrator (\$16 million) and the Office of the Chief Technology Officer (\$1 million).

Table 5A-2

**Local Funds Expenditures by Fiscal Year for Selected Large Agencies**

(Dollars in thousands, excluding enterprise agencies)

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	Annual Growth Rate, 1998-2004
Metropolitan Police Department	257,962	276,338	297,327	309,820	315,155	327,688	345,028	
Fire and Emergency								
Services Department	108,961	102,482	112,749	129,197	129,729	135,693	148,503	
Police and Fighters' Retirement System	47,700	35,100	39,900	49,000	74,600	68,900	96,700	
Department of Corrections	93,045	71,589	70,484	80,325	97,679	102,335	116,895	
Corrections Medical Receiver	-	8,499	13,300	10,820	-	-	-	
<b>Subtotal, selected public safety</b>	<b>507,669</b>	<b>494,007</b>	<b>533,759</b>	<b>579,162</b>	<b>617,163</b>	<b>634,616</b>	<b>707,126</b>	<b>5.7%</b>
D.C. Public Schools	520,097	550,812	604,098	737,128	740,706	711,890	769,385	
Teacher's Retirement System	8,900	18,600	10,700	200	-	-	-	
Public Charter Schools	3,195	11,113	46,480	136,876	97,625	114,283	161,969	
<b>Subtotal, selected public education</b>	<b>532,192</b>	<b>580,525</b>	<b>661,278</b>	<b>874,204</b>	<b>838,330</b>	<b>826,173</b>	<b>931,354</b>	<b>9.8%</b>
Department of Human Services	359,808	188,684	197,109	194,168	205,286	218,885	238,564	
Child and Family Services Agency	-	97,217	74,836	96,069	152,504	140,431	126,402	
Department of Mental Health <sup>a</sup>	-	105,369	129,177	217,704	178,195	138,142	137,771	
Department of Mental Health Medicaid Write-off	-	-	-	-	-	99,075	-	
Medicaid Reserve	-	-	-	-	-	-	44,096	
Department of Health	294,040	310,781	325,339	356,499	422,735	479,853	459,436	
Public Benefit								
Corporation Subsidy	42,873	46,835	138,161	136,912 <sup>b</sup>	17,312 <sup>b</sup>	-	-	
<b>Subtotal, selected health and human services</b>	<b>696,721</b>	<b>748,886</b>	<b>864,622</b>	<b>1,001,352</b>	<b>976,033</b>	<b>1,076,386</b>	<b>1,006,269</b>	<b>6.3%</b>
Department of Public Works	110,366	106,748	99,624	96,950	117,021	82,133	91,730	
Department of Transportation	-	-	-	-	-	22,890	20,293	
WMATA Subsidy	126,746	131,604	135,531	163,073	148,493	154,531	159,122	
Repayment of Loans and Interest	347,358	363,194	315,656	228,364	233,251	250,649	303,397	
Grant Disallowance	-	-	-	-	-	-	65,896	
<b>Subtotal, selected public works, financing, and other</b>	<b>584,470</b>	<b>601,546</b>	<b>550,811</b>	<b>488,387</b>	<b>498,765</b>	<b>510,203</b>	<b>640,438</b>	<b>1.5%</b>
All other agencies	446,697	451,887	523,389	569,765	579,185	623,648	544,808	3.4%
<b>District total</b>	<b>2,767,748</b>	<b>2,876,850</b>	<b>3,133,859</b>	<b>3,512,869<sup>c</sup></b>	<b>3,509,476</b>	<b>3,671,026</b>	<b>3,829,995</b>	<b>5.6%</b>

NOTES:

Details may not sum to totals because of rounding.

<sup>a</sup>Formerly known as the Commission on Mental Health Services.<sup>b</sup>Includes PBC transition costs.<sup>c</sup>Total excludes 617,230 spent on refunded bonds in FY 2001.

FY 2002 expenditures do not include federal payment, while expenditures for FY 2001 and prior years include them for certain agencies.

Table 5A-3

**Gross Funds Expenditures by Fiscal Year for Selected Large Agencies**

(Dollars in thousands, excluding enterprise agencies)

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	Annual Growth Rate, 1998-2004
Metropolitan Police Department	269,092	283,131	306,281	319,501	338,324	355,283	375,707	
Fire and Emergency								
Services Department	109,317	102,891	112,855	129,216	134,530	145,868	149,058	
Police and Fighters' Retirement System	47,700	35,100	39,900	49,000	74,600	68,900	96,700	
Department of Corrections	258,574	240,680	248,526	212,495	124,686	101,269	117,671	
Corrections Medical Receiver	-	12,605	13,300	10,820	-	-	-	
<b>Subtotal, selected public safety</b>	<b>684,683</b>	<b>674,407</b>	<b>720,862</b>	<b>721,031</b>	<b>672,140</b>	<b>671,320</b>	<b>739,136</b>	<b>1.3%</b>
D.C. Public Schools	634,240	666,007	771,759	826,995	862,747	838,187	904,455	
Teacher's Retirement System	8,900	18,600	10,700	200	-	-	-	
Public Charter Schools	3,195	25,239	49,936	136,867	97,625	118,257	163,957	
<b>Subtotal, selected public education</b>	<b>646,335</b>	<b>709,846</b>	<b>832,394</b>	<b>964,061</b>	<b>960,372</b>	<b>956,422</b>	<b>1,068,412</b>	<b>8.8%</b>
Department of Human Services	629,842	335,401	359,650	387,919	431,279	410,278	429,102	
Child and Family								
Services Agency	-	146,232	138,740	177,243	204,015	207,221	172,792	
Department of Mental Health <sup>a</sup>	-	196,543	206,713	287,335	221,151	181,443	148,079	
Department of Mental Health								
Medicaid Write-off						99,075		
Department of Health	906,431	974,492	1,006,824	1,110,207	1,215,461	1,373,438	1,554,710	
Public Benefit								
Corporation Subsidy	42,873	46,835	138,161	136,912 <sup>b</sup>	17,312 <sup>b</sup>	-	-	
<b>Subtotal, selected health and human services</b>	<b>1,579,146</b>	<b>1,699,503</b>	<b>1,850,088</b>	<b>2,099,616</b>	<b>2,089,217</b>	<b>2,271,455</b>	<b>2,304,683</b>	<b>6.9%</b>
Department of Public Works	119,322	116,933	107,450	104,352	122,879	89,401	98,280	
Department of Transportation	-	-	-	-	-	35,997	26,005	
WMATA Subsidy	126,746	131,604	135,531	163,073	148,493	154,530	162,602	
Repayment of Loans and Interest	347,358	363,194	315,656	228,364	233,251	250,649	303,397	
Grant Disallowance	-	-	-	-	-	-	65,896	
<b>Subtotal, selected public works, financing, and other</b>	<b>593,426</b>	<b>611,731</b>	<b>558,637</b>	<b>495,788</b>	<b>504,623</b>	<b>530,577</b>	<b>656,180</b>	<b>1.7%</b>
All other agencies	559,972	806,983	859,694	814,684	877,841	1,009,318	968,664	8.7%
<b>District total</b>	<b>4,063,562</b>	<b>4,502,470</b>	<b>4,821,675</b>	<b>5,095,180<sup>c</sup></b>	<b>5,104,193</b>	<b>5,439,144</b>	<b>5,737,075</b>	<b>5.9%</b>

NOTES:

Details may not sum to totals because of rounding.

<sup>a</sup>Formerly known as the Commission on Mental Health Services.<sup>b</sup>Includes PBC transition costs.<sup>c</sup>Total excludes 617,230 spent on refunded bonds in FY 2001.

Table 5A-4

**Local Funds Expenditures by Fiscal Year for Selected Object Classes**

(Dollars in thousands, excluding enterprise agencies)

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	2004	Annual Growth Rate, 1998-2004
Regular salaries								
and wages <sup>a</sup>	993,128	965,659	1,010,397	1,126,640	1,160,133	1,154,576	1,211,657	3.4%
Extra pay <sup>b</sup>	89,303	83,883	100,496	108,028	94,888	78,418	96,235	1.3%
Fringe benefits <sup>c</sup>	179,454	173,555	177,624	190,523	233,502	225,847	266,359	6.8%
<b>Subtotal, PS</b>	<b>1,261,885</b>	<b>1,223,098</b>	<b>1,288,516</b>	<b>1,425,192</b>	<b>1,488,523</b>	<b>1,458,841</b>	<b>1,574,250</b>	<b>3.8%</b>
Fixed costs <sup>d</sup>	129,352	122,517	144,689	149,507	156,534	169,394	191,822	6.8%
Subsidies and								
transfers <sup>e</sup>	606,756	727,034	894,276	1,013,138	1,001,800	1,042,173	1,181,033	11.8%
Debt service	405,918	412,005	361,704	279,530	293,380	313,661	324,690	-3.7%
Contractual								
services	149,932	235,392	270,707	366,317	350,120	405,251	371,721	16.4
Other NPS	213,905	156,805	173,967	279,185	219,119	281,707	186,479	-2.3%
<b>Subtotal, NPS</b>	<b>1,505,864</b>	<b>1,653,752</b>	<b>1,845,343</b>	<b>2,087,677</b>	<b>2,020,953</b>	<b>2,212,186</b>	<b>2,255,745</b>	<b>7.0%</b>
<b>Total</b>	<b>2,767,748</b>	<b>2,876,850</b>	<b>3,133,859</b>	<b>3,512,869</b>	<b>3,509,476</b>	<b>3,671,026</b>	<b>3,829,995</b>	<b>5.6%</b>

## Notes:

Details may not sum to totals because of rounding. FY 2002 expenditures do not include federal payments, while expenditures for FY 2001 and prior years include them for certain agencies.

<sup>a</sup>Full- and part-time, continuing and term, and unknown payroll postings.

<sup>b</sup>Includes overtime, bonuses, and differentials for nights, weekends, and holidays.

<sup>c</sup>Includes contributions to Police and Fighters' Retirement System and Teachers' Retirement System.

<sup>d</sup>Utilities, telecommunications, and rent.

<sup>e</sup>Excludes contributions to Police and Fighters' Retirement System and Teachers' Retirement System